

**REPORT OF THE AUDIT OF THE
CASEY COUNTY
FISCAL COURT**

**For The Fiscal Year Ended
June 30, 2004**



**CRIT LUALLEN
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EXECUTIVE SUMMARY

AUDIT EXAMINATION OF THE CASEY COUNTY FISCAL COURT

June 30, 2004

The Auditor of Public Accounts has completed the audit of the Casey County Fiscal Court for fiscal year ended June 30, 2004. The Jailer did not maintain accurate and complete records for receipts of the Jail Canteen Fund. Therefore, we were unable to determine actual receipts for the business-type activities of the Jail Canteen Fund. The Jail Canteen Fund is the only business-type activity; therefore we have issued a qualified opinion on the receipts of the business-type activities. We have issued an unqualified opinion on the governmental activities, expenditures of the business-type activities, each major fund and the aggregate remaining fund information of Casey County.

Financial Condition:

The fiscal court had net assets of \$2,960,527 as of June 30, 2004. The fiscal court had unrestricted net assets of \$677,319 in its governmental funds as of June 30, 2004, with total net assets of \$2,908,434. In its enterprise fund, total net cash and cash equivalents were \$2,322 with total net assets of \$52,093. In the fiduciary fund, total cash and cash equivalents held in custody for others was \$2,446. The fiscal court had total debt principal as of June 30, 2004 of \$11,230,000 with \$405,000 due within the next year.

Report Comment:

- Accurate Accounting Records Should Be Maintained For The Jail Canteen Fund

Deposits:

As of June 30, 2004, the fiscal court's deposits were insured and collateralized by bank securities.

<u>CONTENTS</u>	<u>PAGE</u>
INDEPENDENT AUDITOR’S REPORT	1
CASEY COUNTY OFFICIALS.....	3
MANAGEMENT’S DISCUSSION AND ANALYSIS	4
STATEMENT OF NET ASSETS - MODIFIED CASH BASIS.....	17
STATEMENT OF ACTIVITIES - MODIFIED CASH BASIS	20
BALANCE SHEET - GOVERNMENTAL FUNDS - MODIFIED CASH BASIS	24
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES - GOVERNMENTAL FUNDS - MODIFIED CASH BASIS	28
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES - MODIFIED CASH BASIS	33
STATEMENT OF NET ASSETS - PROPRIETARY FUND - MODIFIED CASH BASIS	37
STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND NET ASSETS - PROPRIETARY FUND - MODIFIED CASH BASIS	41
STATEMENT OF CASH FLOWS - PROPRIETARY FUND - MODIFIED CASH BASIS.....	45
STATEMENT OF FIDUCIARY FUND NET ASSETS - MODIFIED CASH BASIS	49
NOTES TO FINANCIAL STATEMENTS.....	51
BUDGETARY COMPARISON SCHEDULES	67
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION.....	71
COMBINING BALANCE SHEET - NON-MAJOR GOVERNMENTAL FUNDS - MODIFIED CASH BASIS.....	75
COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES - NON-MAJOR GOVERNMENTAL FUNDS - MODIFIED CASH BASIS	79
COMMENT AND RECOMMENDATION.....	60
REPORT ON COMPLIANCE AND ON INTERNAL CONTROL OVER FINANCIAL REPORTING BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS.....	62
APPENDIX A:	
CERTIFICATION OF COMPLIANCE - LOCAL GOVERNMENT ECONOMIC ASSISTANCE PROGRAM	



CRIT LUALLEN
AUDITOR OF PUBLIC ACCOUNTS

To the People of Kentucky
Honorable Ernie Fletcher, Governor
John R. Farris, Secretary
Finance and Administration Cabinet
Honorable Ronald D. Wright, Casey County Judge/Executive
Members of the Casey County Fiscal Court

Independent Auditor's Report

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of Casey County, Kentucky, as of and for the year ended June 30, 2004, which collectively comprise the County's basic financial statements, as listed in the table of contents. These financial statements are the responsibility of the Casey County Fiscal Court. Our responsibility is to express opinions on these financial statements based on our audit.

Except as described in the fourth paragraph, we conducted our audit in accordance with auditing standards generally accepted in the United States of America, the standards applicable to financial audits contained in Government Auditing Standards issued by the Comptroller General of the United States, and the Audit Guide for Fiscal Court Audits issued by the Auditor of Public Accounts, Commonwealth of Kentucky. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

As described in Note 1, Casey County, Kentucky, prepares its financial statements on a prescribed basis of accounting that demonstrates compliance with the modified cash basis, which is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America.

The Jailer did not maintain accurate and complete accounting records of receipts for the Jail Canteen Fund. As a result, we were unable to determine actual receipts for the business-type activities of the Jail Canteen Fund.

In our opinion, except for the possible effect on the financial statements of the matter discussed in the preceding paragraph, the financial statements referred to above present fairly, in all material respects, the financial position of the governmental activities, business-type activities, each major fund, and the aggregate remaining fund information of Casey County, Kentucky, as of June 30, 2004, and the respective changes in financial position and cash flows, where applicable, thereof for the year then ended in conformity with the basis of accounting described in Note 1.



To the People of Kentucky
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The county has implemented Governmental Accounting Standards Board Statements 33, 34, and 37 as they relate to the modified cash basis of accounting as described in Note 1, which has altered the format and content of the basic financial statements.

The management's discussion and analysis and budgetary comparison information are not a required part of the basic financial statements but are supplementary information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Casey County, Kentucky's basic financial statements. The accompanying supplementary information, combining fund financial statements, are presented for additional analysis and are not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation of the basic financial statements taken as a whole.

In accordance with Government Auditing Standards, we have also issued our report dated March 6, 2006, on our consideration of Casey County, Kentucky's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards and should be considered in assessing the results of our audit.

Based on the results of our audit, we present the accompanying comment and recommendation, included herein, which discusses the following report comment:

- Accurate Accounting Records Should Be Maintained For The Jail Canteen Fund

Respectfully submitted,



Crit Luallen
Auditor of Public Accounts

Audit fieldwork completed -
March 6, 2006

CASEY COUNTY OFFICIALS

For The Year Ended June 30, 2004

Fiscal Court Members:

Ronald D. Wright	County Judge/Executive
Kenny Morgan	Magistrate
Gary Johnson	Magistrate
Herber "Creech" Carman	Magistrate
Mike McQueary	Magistrate

Other Elected Officials:

Thomas M. Weddle	County Attorney
Tommy Miller	Jailer
Eva S. Miller	County Clerk
Craig Overstreet	Circuit Court Clerk
Jerry Coffman	Sheriff
Johnnie Beard, Jr.	Property Valuation Administrator
Thomas Clark	Coroner

Appointed Personnel:

Danea Carman	County Treasurer
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Management's Discussion and Analysis

June 30, 2004

The financial management of Casey County, Kentucky offers readers of Casey County's financial statements this narrative overview and analysis of the financial activities of Casey County for the fiscal year ended June 30, 2004. We encourage readers to consider the information presented here in conjunction with other information that we have furnished in our financial statements and the notes to the financial statements.

Financial Highlights

- Casey County had net assets of \$2,960,527 as of June 30, 2004. The fiscal court had unrestricted net assets of \$677,319 in the governmental activities as of June 30, 2004, with total net assets of \$2,908,434. In the enterprise fund, cash and cash equivalents were \$2,322 with total assets of \$52,093. In the fiduciary fund, total cash and cash equivalents held in custody for others was \$2,446.
- The governmental activities total net assets increased by \$1,127,896 from the prior year. This increase is primarily due to the inclusion of infrastructure (roads and bridges) in capital assets and the completion of the Casey County Judicial Center.
- At the close of the current fiscal year, Casey County governmental funds reported current assets of \$1,691,502. Of this amount, \$677,319 is available for spending at the government's discretion (unreserved fund balance).
- Casey County's total indebtedness at the close of fiscal year June 30, 2004 was \$11,230,000 of which \$10,825,000 is long-term debt (due after 1 year) and \$405,000 is short-term debt (to be paid within 1 year). Debt reduction for the fiscal year was \$395,000.

Overview of the Financial Statements

This management discussion and analysis is intended to serve as an introduction to Casey County's basic financial statements. Casey County's basic financial statements are comprised of three components: 1) government wide financial statements, 2) fund financial statements, and 3) notes to the financial statements. This report also contains other supplementary information in addition to the basic financial statements themselves.

GASB 34 requires management to include certain comparison schedules when they are available. The schedules include prior and current comparisons of general revenues by major source, and program expenses by function. This is the first year of implementation and these schedules will be presented next year

Casey County
Management's Discussion and Analysis
June 30, 2004
(Continued)

Government-wide Financial Statements. The government-wide financial statements are designed to provide readers with a broad overview of Casey County's finances, in a manner similar to a private-sector business.

The *Statement of Net Assets* presents information on Casey County's assets and liabilities, with the difference between the two reported as *net assets*. Over time, increases or decreases in net assets may serve as a useful indicator of whether the financial position of Casey County is improving or deteriorating.

The *Statement of Activities* presents information showing how the government's net assets changed during the fiscal year. All changes in net assets are reported on a modified cash basis of accounting. Basis of accounting is a reference to when financial events are recorded, such as timing for recognizing revenues, expenses, and related assets and liabilities.

Under the county's modified cash basis of accounting, revenues and expenses and related assets and liabilities are recorded when they result from a cash transaction, except for the recording of depreciation expenses on capital assets in the government-wide financial statements for all activities and in the fund financial statements for the proprietary fund.

As a result of the use of the modified cash basis of accounting, certain assets and their related revenues (such as amounts billed for services provided, but not collected) and accounts payable (expenses for goods and services received but not paid), donated assets or compensated absences are not recorded.

Both of the government-wide financial statements distinguish functions of the County that are principally supported by taxes and intergovernmental revenues (*governmental activities*) from other functions that are intended to recover all or a significant portion of their costs through user fees and charges (*business-type activities*). Casey County's governmental activities include general government, protection to persons and property, general health and sanitation, social services, roads, debt service, capital projects, and administration. Casey County has one business type activity—Jail canteen.

Fund Financial Statements. A *fund* is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. Casey County, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with legal and statutory requirements. All of the funds of Casey County can be divided into broad categories: *governmental funds and proprietary funds*.

Governmental Funds. Governmental funds are used to account for essentially the same functions reported as *governmental activities* in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial statements focus on current inflows and outflows of spendable resources, as well as on balances of spendable resources available at the end of the fiscal year. Such information may be useful in evaluating a government's current financing requirement.

**Casey County
Management's Discussion and Analysis
June 30, 2004
(Continued)**

Governmental Funds (Continued)

Because focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for *governmental funds* with similar information presented for *governmental activities* in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the government's current financing decisions. Both the governmental fund balance sheet and the governmental fund statement of revenues, expenditures, and changes in fund balances provide a reconciliation to facilitate this comparison between *governmental funds* and *governmental activities*.

Casey County maintains (9) nine individual governmental funds. Information is presented separately in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures, and changes in fund balances.

Major Funds:

- General Fund
- Road Fund
- Jail Fund
- Juvenile Justice Fund
- Casey County Public Properties Corporation Judicial Center Project Fund
- Kentucky Area Development Districts (KADD) Financing Trust/Casey County Jail Construction Account

Non-major Funds:

- Local Government Economic Assistance Fund
- Emergency 911 Fund
- Special Fund

Casey County adopts an annual appropriated budget. A budgetary comparison statement has been provided for General Fund, Road Fund, Jail Fund, and Juvenile Justice Fund to demonstrate compliance with their budgets.

Proprietary Funds. Proprietary funds provide the same type of information as the government-wide financial statements, only in more detail. The proprietary fund financial statements provide detailed information for the county's one enterprise fund: Jail Canteen Fund.

Fiduciary Funds Financial Statements. These funds are used to account for resources held for custodial purposes. Fiduciary funds are not reflected in the government-wide financial statements because the resources of these funds are not available to support the programs of the County. The accounting used for fiduciary funds is much like that used for proprietary funds. The County's fiduciary fund is the Casey County Inmate Detention Fund.

Notes to the Financial Statements. The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements.

Casey County
Management's Discussion and Analysis
June 30, 2004
(Continued)

Net Assets. As noted earlier, net assets may serve over time as a useful indicator of a government's financial position.

Table 1
Casey County's Net Assets

	Governmental Activities		Business Type Activities		Total	
	2003	2004	2003	2004	2003	2004
<i>Assets</i>						
Current and other assets	2,841,468	1,691,502	32,453	2,322	2,873,921	1,693,824
Capital assets	10,564,070	12,446,932	0	49,771	10,564,070	12,496,703
Total Assets	13,405,538	14,138,434	32,453	52,093	13,437,991	14,190,527
<i>Liabilities</i>						
Current and other liabilities		405,000	0	0		405,000
Long-term liabilities	11,625,000	10,825,000	0	0	11,625,000	10,825,000
Total Liabilities	11,625,000	11,230,000	0	0	11,625,000	11,230,000
<i>Net Assets</i>						
Invested in capital assets, net of related debt	(1,060,930)	1,216,932	0	49,771	(1,060,930)	1,266,703
Restricted	2,134,070	1,014,183	0	0	2,134,070	1,014,183
Unrestricted	707,398	677,319	32,453	2,322	739,851	679,641
Total Net Assets	1,780,538	2,908,434	32,453	52,093	1,812,991	2,960,527

**Casey County
Management's Discussion and Analysis
June 30, 2004
(Continued)**

Net Assets (Continued)

Changes in Net Assets.

Governmental Activities. Casey County's net assets increased by \$1,127,896 in fiscal year 2004. Key elements of this are as follows:

- Current assets and cash decreased \$1,149,966 due to an increase in expenditures for the new Casey County Ag/Expo Center and the Casey County Detention Center. In addition, the County began making bond principal payments towards the Casey County Judicial Center and principal payments towards the Kentucky Area Development Districts (KADD) Financing Trust capital lease obligation for the Casey County Detention Center. During fiscal year 2003 only interest was paid.
- Investment in capital assets and infrastructure, net of related debt increased \$2,277,862 primarily due to the inclusion of infrastructure (roads and bridges) and completion of construction of the Casey County Judicial Center.
- Total liabilities decreased \$395,000, due to principal payments made during the year.
- General revenues were \$1,313,010 and total revenues were \$5,156,015 as reflected in the Statement of Activities
- Expenditures totaled \$4,028,119 as reflected in the Statement of Activities.

Business-type Activities. Casey County's net assets increased by \$19,640 in fiscal year 2004. Key elements are as follows:

- Current assets and cash decreased by \$30,131.
- Investment in capital assets net of related debt increased \$49,771.
- Total revenue was \$245,845 as reflected in the Statement of Activities
- Expenditures totaled \$169,461 as reflected in the Statement of Activities
- Total amount transferred to Casey County Fiscal Court was \$56,744

Financial Analysis of the County's Funds.

As noted earlier, Casey County uses fund accounting to ensure and demonstrate compliance with finance-related requirements.

Governmental Funds Overview. The focus of Casey County governmental funds is to provide information on current inflows, outflows, and balances of spendable resources. Such information is useful in assessing the County's financing requirements. In particular, unreserved fund balance may serve as a useful measure of a government's net resources available for spending at the end of the fiscal year.

As of the end of June 2004 fiscal year, the combined ending fund balances of County governmental funds were \$1,691,502. Approximately 40% (\$677,319) of this consists of unreserved fund balance, which is available as working capital and for current spending in accordance with the purposes of the specific funds. The remainder of fund balance (\$1,014,183) is reserved to indicate that it is not available for new spending because it is committed for debt service payments.

**Casey County
Management's Discussion and Analysis
June 30, 2004
(Continued)**

Financial Analysis of the County's Funds (Continued)

The County has (6) six major governmental, and (3) three non-major funds.

Major Funds

- General Fund
- Road Fund
- Jail Fund
- Juvenile Justice Fund
- Casey County Public Properties Corporation Judicial Center Project Fund
- Kentucky Area Development Districts (KADD) Financing Trust/Casey County Jail Construction Account

Non-major Funds

- Local Government Economic Assistance Fund
- Emergency 911 Fund
- Special Fund

1. The General Fund is the chief operating fund of Casey County. At the end of June 30, 2004 fiscal year, unreserved total fund balance of the General Fund was \$217,512. The County received \$1,029,164 in real and personal property, motor vehicle, insurance premium, and other taxes for approximately 78% of the county's general revenues. Excess Fees, and various other revenues contribute to the remaining 22% of revenues.
2. The Road Fund is the fund related to County road and bridge construction and maintenance. The Road Fund had a \$97,633 fund balance at June 30, 2004. The fiscal year 2004 expenditures for the Road Fund were \$1,701,444.
3. The Jail Fund is used to account for the operation of the County's detention program. The Jail Fund had a fund balance at June 30, 2004 of \$62,850. The Jail Fund received \$1,272,497, primarily in intergovernmental fees for housing prisoners. The following fund also contributed to the jail operations: Jail Canteen Fund \$56,744. The fiscal year 2004 expenditures for the Jail Fund were \$1,564,307.
4. The Juvenile Justice Fund had a fund balance at June 30, 2004 of \$224,748, a decrease of \$76,905 over the previous fiscal year. The purpose of this fund is to provide for additional construction at the Casey County Detention Center. The fiscal year 2004 general construction expenditures for the Juvenile Justice Fund were \$78,309.
5. The Casey County Public Properties Corporation Judicial Center Project Fund had a fund balance at June 30, 2004 of \$501,520, a decrease of \$1,121,517 over the previous fiscal year. The balance at June 30, 2004 is reserved for debt service. For fiscal year 2004 the Casey County Public Properties Corporation Judicial Center Project Fund received \$387,570 in revenue, with a majority coming from the Administrative Office of the Courts, Commonwealth of KY for lease payments, and expended \$1,509,087 in expenditures. The expenditures were for bond principal and interest payments and construction expenses towards the completion of the Judicial Center.

**Casey County
Management's Discussion and Analysis
June 30, 2004
(Continued)**

Financial Analysis of the County's Funds (Continued)

6. Kentucky Area Development Districts (KADD) Financing Trust/Casey County Jail Construction Fund had a fund balance at June 30, 2004 of \$512,663, an increase of \$1,630 over the previous fiscal year. The balance at June 30, 2004 is reserved for debt service. For fiscal year 2004 the KADD Financing Trust/Casey County Jail Construction Fund received \$3,275 in interest revenue and expended \$1,645 for debt service, which was administrative fees.
7. The Local Government Economic Assistance Fund had a fund balance at June 30, 2004 of \$19,857, a decrease of \$5,320 over the previous fiscal year end. For fiscal year 2004 the Local Government Economic Assistance Fund received \$15,568 in revenue, primarily from mineral tax. The fiscal year 2004 expenditures for the Local Government Economic Assistance Fund were \$13,388.
8. The Emergency 911 Fund had a fund balance at June 30, 2004 of \$3,250, a decrease of \$4,807 over the previous fiscal year. For fiscal year 2004 the Emergency 911 Fund received \$146,034 in revenue, with the majority received from local telephone companies and expended \$183,341 in expenditures, the majority being expended for 911 salaries and service fees.
9. The Special Fund had a fund balance at June 30, 2004 of \$51,469, a decrease of \$24,715 from the previous fiscal year. For fiscal year 2004, the Special Fund received \$285 in interest revenue and had no expenditures however, \$25,000 was transferred out of this fund to the General Fund. The purpose of this fund is to serve as a special reserve of the General Fund. In the past, the fiscal court transferred monies into this account in order to preserve it for future indebtedness.

Proprietary Funds Overview. The County's proprietary fund statements provide the same type of information found in the government-wide statements, but in more detail.

Casey County has (1) one enterprise-type proprietary fund.

- Jail Canteen Fund

The Jail Canteen Fund's unrestricted net assets at the end of June 30, 2004 fiscal year, amounted to \$2,322. Total net assets were \$52,093, of which, \$49,771 is invested in capital assets net of related debt.

General Fund Budgetary Highlights.

Casey County's budget was amended during the fiscal year increasing the budgeted amount by \$1,438,401. Budget amendments were made to various revenues and expenditures due to grants awarded in the fiscal year, increased tax revenues, and reserve for transfers.

Capital Assets and Debt Administration.

Capital Assets. Casey County's investment in capital assets for its governmental activities as of June 30, 2004, amount to \$12,446,932 (net of accumulated depreciation). Business-type activities capital assets as of June 30, 2004 amount to \$49,771 (net of accumulated depreciation). This investment in capital assets includes land and land improvements, construction in progress, buildings, other equipment, vehicles and equipment, and current infrastructure additions. Casey County has elected to report infrastructure assets per GASB 34 provisions.

**Casey County
Management's Discussion and Analysis
June 30, 2004
(Continued)**

Capital Assets and Debt Administration (Continued)

Major capital asset events during 2004 fiscal year include the following:

- Construction of the Casey County Judicial Center was completed and the capital asset was converted from construction in progress to buildings.
- County purchased two (2) Mack dump trucks valued at \$156,780
- Central KY Ag/Expo Center had construction in progress in the amount of \$186,099
- County renovated the Primary Care Clinic for \$300,000.

There were several major capital asset events during the 2004 fiscal year for business-type activities. They are as follows:

- Jail Canteen purchased two (2) vehicles valued at \$16,950
- Jail Canteen purchased various pieces of equipment, such as a tiller, mowers, and a tractor, valued at \$44,495.

Additional information of the County's capital assets can be found in Note 3 of this report.

**Table 2
Casey County's Capital Assets, Net of Accumulated Depreciation**

	Governmental Activities		Business-type Activities		Total	
	2003	2004	2003	2004	2003	2004
Infrastructure Assets		\$ 427,944			\$	427,944
Land & Improvements	\$ 1,187,000	1,195,000			\$ 1,187,000	1,195,000
Const. In Progress	4,038,240	186,099			4,038,240	186,099
Buildings	5,128,309	10,308,840			5,128,309	10,308,840
Other Equip.	123,332	128,627		\$ 36,041	123,332	164,668
Vehicles & Equip.	87,189	200,422		13,730	87,189	214,152
Total Net Capital Assets	<u>\$ 10,564,070</u>	<u>\$ 12,446,932</u>		<u>\$ 49,771</u>	<u>\$ 10,564,070</u>	<u>\$ 12,496,703</u>

Long-Term Debt. At the end of the 2004 fiscal year, Casey County had total long-term debt outstanding of \$11,230,000. The totals are as follows: Revenue Bonds \$6,500,000 and capital lease obligations \$4,730,000.

**Casey County
Management's Discussion and Analysis
June 30, 2004
(Continued)**

Other Matters. The following factors are expected to have a significant effect on the County's financial position or results of operations and were taken into account in developing the 2005 fiscal year budget:

- The 2005 fiscal year adopted budget continues most services at current levels.
- Program cuts at the State level, particularly relating to the cost of housing prisoners, may have a negative impact on funding for county programs.
- Economic factors indicate continued growth for Casey County.

Requests For Information.

This financial report is designed to provide a general overview of Casey County's finances for all those with an interest in the government's finances. Questions concerning any of the information provided herein or requests for additional financial information should be addressed to the Casey County Treasurer, 625 Campbellsville St., P.O. Box 306, Liberty, KY 42539.

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CASEY COUNTY
STATEMENT OF NET ASSETS - MODIFIED CASH BASIS

June 30, 2004

CASEY COUNTY
STATEMENT OF NET ASSETS - MODIFIED CASH BASIS

June 30, 2004

	Primary Government		
	Governmental	Business-Type	
	Activities	Activities	Totals
ASSETS			
Current Assets:			
Cash and Cash Equivalents	\$ 1,691,502	\$ 2,322	\$ 1,693,824
Total Current Assets	<u>1,691,502</u>	<u>2,322</u>	<u>1,693,824</u>
Noncurrent Assets:			
Capital Assets - Net of Accumulated Depreciation			
Construction In Progress	186,099		186,099
Land and Land Improvements	1,195,000		1,195,000
Buildings	10,308,840		10,308,840
Other Equipment	128,627	36,041	164,668
Vehicles and Equipment	200,422	13,730	214,152
Infrastructure Assets - Net of Depreciation	427,944		427,944
Total Noncurrent Assets	<u>12,446,932</u>	<u>49,771</u>	<u>12,496,703</u>
Total Assets	<u>14,138,434</u>	<u>52,093</u>	<u>14,190,527</u>
LIABILITIES			
Current Liabilities:			
Revenue Bonds Payable	240,000		240,000
Capital Lease Obligation Payable	165,000		165,000
Total Current Liabilities	<u>405,000</u>		<u>405,000</u>
Noncurrent Liabilities:			
Revenue Bonds Payable	6,260,000		6,260,000
Capital Lease Obligation Payable	4,565,000		4,565,000
Total Noncurrent Liabilities	<u>10,825,000</u>		<u>10,825,000</u>
Total Liabilities	<u>11,230,000</u>		<u>11,230,000</u>
NET ASSETS			
Invested in Capital Assets, Net of Related Debt	1,216,932	49,771	1,266,703
Restricted For:			
Debt Service	1,014,183		1,014,183
Unrestricted	677,319	2,322	679,641
Total Net Assets	<u>\$ 2,908,434</u>	<u>\$ 52,093</u>	<u>\$ 2,960,527</u>

The accompanying notes are an integral part of the financial statements.

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CASEY COUNTY
STATEMENT OF ACTIVITIES - MODIFIED CASH BASIS
For The Year Ended June 30, 2004

CASEY COUNTY
STATEMENT OF ACTIVITIES - MODIFIED CASH BASIS

For The Year Ended June 30, 2004

		Program Revenues Received		
Functions/Programs Reporting Entity	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
Primary Government:				
Governmental Activities:				
General Government	\$ (60,223)	\$ 40,455	\$ 510,464	\$
Protection to Persons and Property	1,263,546	1,248,677	62,311	51,349
General Health and Sanitation	(140,862)	34,828	47,807	
Social Services	5,230			
Roads	1,050,554		1,847,114	
Debt Service	911,425			
Capital Projects	998,449			
Total Governmental Activities	4,028,119	1,323,960	2,467,696	51,349
Business-Type Activities:				
Jail Canteen Fund	169,461	245,845		
Total Business-Type Activities	169,461	245,845		
Total Primary Government	\$ 4,197,580	\$ 1,569,805	\$ 2,467,696	\$ 51,349

General Revenues:

Taxes:

Real Property Taxes

Personal Property Taxes

Motor Vehicle Taxes

Insurance Premium Taxes

Other Taxes

Excess Fees

Other Revenue

Interest Received

Transfers

Total General Revenues and Transfers

Change in Net Assets

Net Assets - Beginning (Restated)

Net Assets - Ending

The accompanying notes are an integral part of the financial statements.

CASEY COUNTY
STATEMENT OF ACTIVITIES - MODIFIED CASH BASIS
For The Year Ended June 30, 2004
(Continued)

Net (Expenses) Revenues and Changes in Net Assets		
Primary Government		
Governmental Activities	Business-Type Activities	Totals
\$ 611,142	\$	\$ 611,142
98,791		98,791
223,497		223,497
(5,230)		(5,230)
796,560		796,560
(911,425)		(911,425)
(998,449)		(998,449)
(185,114)		(185,114)
	76,384	76,384
	76,384	76,384
(185,114)	76,384	(108,730)
221,187		221,187
44,680		44,680
50,905		50,905
548,844		548,844
163,548		163,548
99,365		99,365
116,298		116,298
11,439		11,439
56,744	(56,744)	
1,313,010	(56,744)	1,256,266
1,127,896	19,640	1,147,536
1,780,538	32,453	1,812,991
\$ 2,908,434	\$ 52,093	\$ 2,960,527

The accompanying notes are an integral part of the financial statements.

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CASEY COUNTY
BALANCE SHEET - GOVERNMENTAL FUNDS - MODIFIED CASH BASIS

June 30, 2004

CASEY COUNTY
BALANCE SHEET - GOVERNMENTAL FUNDS - MODIFIED CASH BASIS

June 30, 2004

	General Fund	Road Fund	Jail Fund	Juvenile Justice Fund	Casey County Public Properties Corporation Judicial Center Project Fund
ASSETS					
Cash and Cash Equivalents	\$ 217,512	\$ 97,633	\$ 62,850	\$ 224,748	\$ 501,520
Total Assets	<u>\$ 217,512</u>	<u>\$ 97,633</u>	<u>\$ 62,850</u>	<u>\$ 224,748</u>	<u>\$ 501,520</u>
FUND BALANCES					
Reserved for:					
Debt Service	\$	\$	\$	\$	\$ 501,520
Unreserved:					
General Fund	217,512				
Special Revenue Funds	<u> </u>	<u>97,633</u>	<u>62,850</u>	<u>\$ 224,748</u>	<u> </u>
Total Fund Balances	<u>\$ 217,512</u>	<u>\$ 97,633</u>	<u>\$ 62,850</u>	<u>\$ 224,748</u>	<u>\$ 501,520</u>

The accompanying notes are an integral part of the financial statements.

CASEY COUNTY
BALANCE SHEET - GOVERNMENTAL FUNDS - MODIFIED CASH BASIS
June 30, 2004
(Continued)

KADD		
Financing		
Trust		
Casey County	Non-Major	Total
ail Construction	Governmental	Governmental
Account	Funds	Funds
<u>\$ 512,663</u>	<u>\$ 74,576</u>	<u>\$ 1,691,502</u>
<u>\$ 512,663</u>	<u>\$ 74,576</u>	<u>\$ 1,691,502</u>
\$ 512,663		\$ 1,014,183
		217,512
	74,576	459,807
<u>\$ 512,663</u>	<u>\$ 74,576</u>	<u>\$ 1,691,502</u>

Reconciliation of the Balance Sheet - Governmental Funds to the Statement of Net Assets:

Total Fund Balances	\$ 1,691,502
Amounts Reported for Governmental Activities in the Statement of Net Assets Are Different Because:	
Capital Assets Used in Governmental Activities Are Not Financial Resources and Therefore Are Not Reported in the Funds.	13,776,493
Accumulated Depreciation	(1,329,561)
Long-Term Debt Is Not Due and Payable in the Current Period and, Therefore, Is Not Reported in the Funds.	
Capital Lease Obligations	(4,730,000)
Bonded Debt	(6,500,000)
Net Assets Of Governmental Activities	<u>\$ 2,908,434</u>

The accompanying notes are an integral part of the financial statements.

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CASEY COUNTY
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCES - GOVERNMENTAL FUNDS - MODIFIED CASH BASIS

For The Year Ended June 30, 2004

CASEY COUNTY
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCES - GOVERNMENTAL FUNDS - MODIFIED CASH BASIS

For The Year Ended June 30, 2004

	<u>General Fund</u>	<u>Road Fund</u>	<u>Jail Fund</u>	<u>Juvenile Justice Fund</u>
REVENUES				
Taxes	\$ 895,175	\$	\$	\$
Excess Fees	99,365			
Licenses and Permits	19,684			
Intergovernmental	238,668	1,847,114	1,272,497	
Charges for Services			444	
Miscellaneous	120,573	5,043	43,376	
Interest	1,082	1,824	290	1,404
Total Revenues	<u>1,374,547</u>	<u>1,853,981</u>	<u>1,316,607</u>	<u>1,404</u>
EXPENDITURES				
General Government	656,348			
Protection to Persons and Property	76,088		1,028,542	78,309
General Health and Sanitation	151,705			
Roads		1,607,642		
Debt Service			399,142	
Capital Projects				
Administration	370,319	93,802	136,623	
Total Expenditures	<u>1,254,460</u>	<u>1,701,444</u>	<u>1,564,307</u>	<u>78,309</u>
Excess (Deficiency) of Revenues Over Expenditures Before Other Financing Sources (Uses)	<u>120,087</u>	<u>152,537</u>	<u>(247,700)</u>	<u>(76,905)</u>
Other Financing Sources (Uses)				
Transfers From Other Funds	97,244		56,744	
Transfers To Other Funds	(25,000)	(55,000)	(17,244)	
Total Other Financing Sources (Uses)	<u>72,244</u>	<u>(55,000)</u>	<u>39,500</u>	
Net Change in Fund Balances	192,331	97,537	(208,200)	(76,905)
Fund Balances - Beginning	25,181	96	271,050	301,653
Fund Balances - Ending	<u>\$ 217,512</u>	<u>\$ 97,633</u>	<u>\$ 62,850</u>	<u>\$ 224,748</u>

The accompanying notes are an integral part of the financial statements.

CASEY COUNTY
STATEMENT OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCES - GOVERNMENTAL FUNDS - MODIFIED CASH BASIS
For The Year Ended June 30, 2004
(Continued)

Casey County Public Properties Corporation Judicial Center Project Fund	KADD Financing Trust Casey County Jail Construction Fund	Non-Major Governmental Funds	Total Governmental Funds
\$	\$	\$ 133,989	\$ 1,029,164
			99,365
			19,684
384,448		27,443	3,770,170
			444
		12	169,004
3,122	3,275	443	11,440
387,570	3,275	161,887	5,099,271
		5,888	662,236
		168,496	1,351,435
			151,705
			1,607,642
510,638	1,645		911,425
998,449			998,449
		22,345	623,089
1,509,087	1,645	196,729	6,305,981
(1,121,517)	1,630	(34,842)	(1,206,710)
		32,500	186,488
		(32,500)	(129,744)
			56,744
(1,121,517)	1,630	(34,842)	(1,149,966)
1,623,037	511,033	109,418	2,841,468
\$ 501,520	\$ 512,663	\$ 74,576	\$ 1,691,502

The accompanying notes are an integral part of the financial statements.

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CASEY COUNTY
RECONCILIATION OF THE STATEMENT OF REVENUES,
EXPENDITURES, AND CHANGES IN FUND BALANCES OF
GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES - MODIFIED CASH BASIS

For The Year Ended June 30, 2004

CASEY COUNTY
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN
FUND BALANCES OF GOVERNMENTAL FUNDS TO
THE STATEMENT OF ACTIVITIES - MODIFIED CASH BASIS

For The Year Ended June 30, 2004

Net Change in Fund Balances - Total Governmental Funds	\$ (1,149,966)
Amounts Reported for Governmental Activities in the Statement of Activities Are Different Because:	
Governmental Funds Report Capital Outlays as Expenditures. However, in the Statement of Activities the Cost of those Assets Are Allocated Over their Estimated Useful Lives and Reported as Depreciation Expense.	
Capital Outlay	2,201,806
Depreciation Expense	(318,944)
Bond and Capital Lease Obligation Principal Payments Are Expensed in the Governmental Funds as a Use of Current Financial Resources.	
Bond Payments	235,000
Capital Lease Obligation	<u>160,000</u>
Change in Net Assets of Governmental Activities	<u><u>\$ 1,127,896</u></u>

The accompanying notes are an integral part of the financial statements.

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CASEY COUNTY
STATEMENT OF NET ASSETS - PROPRIETARY FUND - MODIFIED CASH BASIS

June 30, 2004

CASEY COUNTY
STATEMENT OF NET ASSETS - PROPRIETARY FUND - MODIFIED CASH BASIS

June 30, 2004

	<u>Business-Type Activities</u>
	<u>Enterprise Fund</u>
	<u>Jail Canteen Fund</u>
Assets	
Current Assets:	
Cash and Cash Equivalents	\$ 2,322
Total Current Assets	<u>2,322</u>
Noncurrent Assets:	
Capital Assets:	
Vehicles and Equipment	61,445
Less Accumulated Depreciation	<u>(11,674)</u>
Total Noncurrent Assets	<u>49,771</u>
Total Assets	<u>52,093</u>
Net Assets	
Invested in Capital Assets, Net of Related Debt	49,771
Unrestricted	<u>2,322</u>
Total Net Assets	<u><u>\$ 52,093</u></u>

The accompanying notes are an integral part of the financial statements.

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CASEY COUNTY
STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND NET ASSETS -
PROPRIETARY FUND - MODIFIED CASH BASIS

For The Year Ended June 30, 2004

CASEY COUNTY
STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND NET ASSETS -
PROPRIETARY FUND - MODIFIED CASH BASIS

For The Year Ended June 30, 2004

	<u>Business-Type Activities</u>
	<u>Enterprise Fund</u>
	<u>Jail Canteen Fund</u>
Operating Revenues	
Canteen Receipts	\$ 245,845
Total Operating Revenues	<u>245,845</u>
Operating Expenses	
Cost of Sales	91,316
Educational and Recreational	13,711
Depreciation	11,674
Miscellaneous	<u>1,735</u>
Total Operating Expenses	<u>118,436</u>
Operating Income	<u>127,409</u>
Nonoperating Revenues (Expenses)	
Inmate Pay From State	(5,958)
Inmate Refunds	<u>(45,067)</u>
Total Nonoperating Revenues (Expenses)	<u>(51,025)</u>
Net Income Before Transfers	76,384
Interfund Transfer To	
Casey County Fiscal Court	<u>(56,744)</u>
Change In Net Assets	19,640
Total Net Assets - Beginning	<u>32,453</u>
Total Net Assets - Ending	<u>\$ 52,093</u>

The accompanying notes are an integral part of the financial statements.

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CASEY COUNTY
STATEMENT OF CASH FLOWS - PROPRIETARY FUND - MODIFIED CASH BASIS

For The Year Ended June 30, 2004

CASEY COUNTY
STATEMENT OF CASH FLOWS - PROPRIETARY FUND - MODIFIED CASH BASIS

For The Year Ended June 30, 2004

	<u>Business-Type Activities</u>
	<u>Enterprise Fund</u>
	<u>Jail Canteen Fund</u>
Cash Flows From Operating Activities	
Receipts From Customers	\$ 245,845
Cost of Sales	(91,316)
Educational and Recreational	(13,711)
Miscellaneous	(1,735)
Net Cash Provided By Operating Activities	<u>139,083</u>
Cash Flows From Noncapital Financing Activities	
Inmate Pay From State	(5,958)
Inmate Refunds on Accounts	(45,067)
Interfund Transfers To Casey County Fiscal Court	(56,744)
Net Cash (Used) By Noncapital Financing Activities	<u>(107,769)</u>
Cash Flows From Capital and Related Financing Activities	
Capital Assets Purchased	(61,445)
Net Cash (Used) By Capital and Related Financing Activities	<u>(61,445)</u>
Net (Decrease) in Cash and Cash Equivalents	(30,131)
Cash and Cash Equivalents - July 1, 2003	<u>32,453</u>
Cash and Cash Equivalents - June 30, 2004	<u><u>\$ 2,322</u></u>

The accompanying notes are an integral part of the financial statements.

CASEY COUNTY
STATEMENT OF CASH FLOWS -
PROPRIETARY FUND - MODIFIED CASH BASIS
For The Year Ended June 30, 2004
(Continued)

Reconciliation of Operating Income to
Net Cash Provided by Operating
Activities

Operating Income	\$ 127,409
Adjustments to Reconcile Operating Income To Net Cash Provided By Operating Activities -	
Depreciation Expense	<u>11,674</u>
Net Cash Provided By Operating Activities	<u><u>\$ 139,083</u></u>

The accompanying notes are an integral part of the financial statements.

CASEY COUNTY
STATEMENT OF FIDUCIARY FUND NET ASSETS - MODIFIED CASH BASIS

June 30, 2004

CASEY COUNTY
STATEMENT OF FIDUCIARY FUND NET ASSETS - MODIFIED CASH BASIS

June 30, 2004

	Casey County Inmate Detention Fund
	<u> </u>
Assets	
Current Assets:	
Cash and Cash Equivalents	<u>\$ 2,446</u>
Total Assets	<u> 2,446</u>
Liabilities	
Amounts Held In Custody For Others	<u> 2,446</u>
Total Liabilities	<u> 2,446</u>
Net Assets	
Total Net Assets	<u><u> \$ 0</u></u>

The accompanying notes are an integral part of the financial statements.

**INDEX FOR NOTES
TO THE FINANCIAL STATEMENTS**

NOTE 1.	SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES	51
NOTE 2.	DEPOSITS.....	57
NOTE 3.	CAPITAL ASSETS	58
NOTE 4.	LONG-TERM DEBT.....	60
NOTE 5.	INTEREST INCLUDED IN DEBT SERVICE	62
NOTE 6.	RELATED PARTY TRANSACTIONS	62
NOTE 7.	CONTINGENT LIABILITY	62
NOTE 8.	EMPLOYEE RETIREMENT SYSTEM.....	62
NOTE 9.	INSURANCE.....	63
NOTE 10.	CHANGES IN ACCOUNTING PRINCIPLES	63
NOTE 11.	ESTIMATED HISTORICAL COSTS	63
NOTE 12.	SUBSEQUENT EVENTS	63

CASEY COUNTY
NOTES TO FINANCIAL STATEMENTS

June 30, 2004

Note 1. Summary of Significant Accounting Policies

A. Basis of Presentation

The county presents its government-wide and fund financial statements in accordance with a modified cash basis of accounting, which is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America. Under this basis of accounting, assets, liabilities, and related revenues and expenditures are recorded when they result from cash transactions, with a few exceptions. This modified cash basis recognizes revenues when received and expenditures when paid. Property tax receivables, accounts payable, compensated absences, and donated assets, among other items, are not reflected in the financial statements.

The State Local Finance Officer does not require the county to report capital assets and infrastructure; however the value of these assets is included in the Statement of Net Assets and the corresponding depreciation expense is included on the Statement of Activities.

B. Reporting Entity

The financial statements of Casey County include the funds, agencies, boards, and entities for which the fiscal court is financially accountable. Financial accountability, as defined by Section 2100 of the Governmental Accounting Standards Board (GASB) Codification of Governmental Accounting and Financial Reporting Standards, as amended by GASB 14 and GASB 39, was determined on the basis of the government's ability to significantly influence operations, select the governing authority, participate in fiscal management and the scope of public service. Consequently, the reporting entity includes organizations that are legally separate from the primary government. Legally separate organizations are reported as component units if either the county is financially accountable or the organization's exclusion would cause the county's financial statements to be misleading or incomplete. Component units may be blended or discretely presented. Blended component units either provide their services exclusively or almost entirely to the primary government, or their governing bodies are substantively the same as the primary government.

Blended Component Units

The following legally separate organization provided its services exclusively to the primary government, and the fiscal court is able to impose its will on this organization. This organization's balances and transactions are reported as though they are part of the county's primary government using the blending method.

Casey County Public Properties Corporation

In 2002, the Casey County Fiscal Court (Fiscal Court) established the Casey County Public Properties Corporation (Corporation) for the purpose of financing the construction and installation of public projects in furtherance of the proper public purposes of Casey County. The Corporation consists of the five members of the Fiscal Court, which includes the Casey County Judge/Executive and the four magistrates and has perpetual existence. Since the Fiscal Court has complete authority over this entity this makes it a component unit of the county. The financial information for the Casey County Public Properties Corporation is blended within the Casey County's financial statements.

CASEY COUNTY
NOTES TO FINANCIAL STATEMENTS
June 30, 2004
(Continued)

Note 1. Summary of Significant Accounting Policies (Continued)

B. Reporting Entity (Continued)

Kentucky law provides for election of the officials below from the geographic area constituting Casey County. Pursuant to state statute, these officials perform various services for the Commonwealth of Kentucky, its judicial courts, the fiscal court, various cities and special districts within the county, and the board of education. In exercising these responsibilities, however, they are required to comply with state laws. Audits of their financial statements are issued separately and individually and can be obtained from their respective administrative offices. These financial statements are not required to be included in the financial statements of Casey County, Kentucky.

- Circuit Court Clerk
- County Attorney
- Property Valuation Administrator
- County Clerk
- County Sheriff

C. Government-Wide and Fund Financial Statements

The government-wide financial statements (i.e., the statement of net assets and the statement of activities) report information on all of the non-fiduciary activities of the primary government and its non-fiduciary component units. For the most part, the effect of interfund activities has been removed from these statements. Governmental activities, which normally are supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on sales, fees, and charges for support. Business-type revenues come mostly from fees charged to external parties for goods or services. Fiduciary funds are not included in these financial statements due to the unavailability of fiduciary funds to aid in the support of government programs.

The statement of net assets presents the reporting entity's non-fiduciary assets and liabilities, the difference between the two being reported as net assets. Net assets are reported in three categories: 1) invested in capital assets, net of related debt - consisting of capital assets, net of accumulated depreciation and reduced by outstanding balances for debt related to the acquisition, construction, or improvement of those assets; 2) restricted net assets - resulting from constraints placed on net assets by creditors, grantors, contributors, and other external parties, including those constraints imposed by law through constitutional provisions or enabling legislation; and 3) unrestricted net assets - those assets that do not meet the definition of restricted net assets or invested in capital assets.

The statement of activities demonstrates the degree to which the direct expenses of a given function are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function. Program revenues include: 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function; 2) operating grants and contributions; and 3) capital grants and contributions that are restricted to meeting the operational or capital requirements of a particular function. Internally dedicated resources such as taxes and unrestricted state funds are reported as general revenues.

CASEY COUNTY
NOTES TO FINANCIAL STATEMENTS
June 30, 2004
(Continued)

Note 1. Summary of Significant Accounting Policies (Continued)

C. Government-Wide and Fund Financial Statements (Continued)

Funds are characterized as either major or non-major. Major funds are those whose assets, liabilities, revenues, or expenditures/expenses are at least ten percent of the corresponding total (assets, liabilities, etc.) for all funds or type (governmental or proprietary) and whose total assets, liabilities, revenues, or expenditures/expenses are at least five percent of the corresponding total for all governmental and enterprise funds combined. The fiscal court may also designate any fund as major.

Separate financial statements are provided for governmental funds, proprietary funds, and fiduciary funds. Major individual governmental funds and major enterprise funds are reported as separate columns in the financial statements.

Governmental Funds

The primary government reports the following major governmental funds:

General Fund - This is the primary operating fund of the fiscal court. It accounts for all financial resources of the general government, except where the Governor's Office for Local Development requires a separate fund or where management requires that a separate fund be used for some function.

Road Fund - This fund is for road and bridge construction and repair. The primary source of revenue for this fund is state payments for truck license distribution, municipal road aid, and transportation grants. The Governor's Office for Local Development requires the Fiscal Court to maintain these receipts and expenditures separately from the General Fund.

Jail Fund - The primary purpose of this fund is to account for the jail expenses of the county. The primary sources of revenue for this fund are reimbursements from the state and federal government, other counties for housing prisoners, and transfers from the General Fund. The Governor's Office for Local Development requires the Fiscal Court to maintain these receipts and expenditures separately from the General Fund.

Juvenile Justice Fund - The purpose of this fund is to provide for additional construction at the Casey County Detention Center.

Casey County Public Properties Corporation Judicial Center Project Fund – This fund accounts for the activities of the Casey County Public Properties Corporation, a blended component unit of the county. The Casey County Public Properties Corporation issued debt to build a Judicial Center facility. The Casey County Public Properties Corporation entered into a contract, lease and option with the County and the Administrative Office of the Courts (AOC), Commonwealth of Kentucky. The Governor's Office for Local Development does not require the fiscal court to report or budget these funds.

Kentucky Area Development District (KADD) Financing Trust/Casey County Jail Construction Account – On March 29, 2001 the Casey County Fiscal Court entered into a capital lease obligation with KADD in order to finance the construction of the Casey County Detention Center. Therefore, the original purpose of this fund was to account for the construction of the Casey County Detention Center. During fiscal year 2003 construction was completed. The balance as of June 30, 2004 for this fund was \$512,663, which is to be used for the purpose of repaying partial debt of the capital lease obligation. The Governor's Office for Local Development does not require the fiscal court to report or budget these funds.

CASEY COUNTY
NOTES TO FINANCIAL STATEMENTS
June 30, 2004
(Continued)

Note 1. Summary of Significant Accounting Policies (Continued)

C. Government-Wide and Fund Financial Statements (Continued)

Governmental Funds (Continued)

The primary government also has the following non-major funds: Local Government Economic Assistance Fund, Emergency 911 Fund, and the Special Fund. These funds are used to account for the proceeds of specific revenue sources and expenditures that are restricted for specific purposes.

Special Revenue Funds:

The Road Fund, Jail Fund, Juvenile Justice Fund, Local Government Economic Assistance Fund, Emergency 911 Fund, and Special Fund are presented as special revenue funds. Special revenue funds are to account for the proceeds of specific revenue sources and expenditures that are legally restricted for specific purposes.

Debt Service Funds:

Casey County Public Properties Corporation Judicial Center Project Fund and the Kentucky Area Development District (KADD) Financing Trust/Casey County Jail Construction Account are presented as debt service funds. Debt service funds are to account for the accumulation of resources for, and the payment of general long-term debt principal and interest. During fiscal year 2004 construction of the Casey County Judicial Center was completed and the remaining balance of \$ 501,520 is to be used towards debt service payments. Therefore, the Casey County Public Properties Corporation Judicial Center Project Fund has been reclassified from a Capital Projects Fund to a Debt Service Fund. During fiscal year 2003 construction of the Casey County Detention Center was completed and the remaining balance of the fund was to be used towards debt service payments. Therefore, the KADD Financing Trust/Casey County Jail Construction Account was reclassified from a Capital Projects Fund to a Debt Service Fund during fiscal year 2003.

Generally and except as otherwise provided by law, property taxes are assessed as of January 1, levied (mailed) November 1, due at discount November 30, due at face value December 31, delinquent January 1 following the assessment, and subject to lien and sale the 3rd Saturday in April following the delinquency date.

Proprietary Funds

Proprietary funds distinguish operating revenues and expenses from non-operating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with proprietary funds' principal ongoing operations. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses. The principal operating revenues of the county's enterprise fund are charges to customers for sales in the Jail Canteen Fund. Operating expenses for the enterprise fund include the cost of sales and services, educational and recreational expenses, administrative expenses, and depreciation on capital assets. The government has elected not to adopt Financial Accounting Standards Board (FASB) Statements or Interpretations issued November 30, 1989, unless the Governmental Accounting Standards Board (GASB) adopts such FASB Statements or Interpretations.

CASEY COUNTY
NOTES TO FINANCIAL STATEMENTS
June 30, 2004
(Continued)

Note 1. Summary of Significant Accounting Policies (Continued)

C. Government-Wide and Fund Financial Statements (Continued)

Proprietary Funds (Continued)

The primary government reports the following major proprietary fund:

Jail Canteen Fund - The canteen operations are authorized pursuant to KRS 441.135(1), which allows the jailer to sell snacks, sodas, and other items to inmates. The profits generated from the sale of those items are to be used for the benefit or recreation of the inmates. KRS 441.135(2) requires the jailer to maintain accounting records and report annually to the county treasurer the receipts and disbursements of the Jail Canteen Fund.

Fiduciary Funds

Fiduciary funds report only those resources held in a trust or custodial capacity for individuals, private organizations, or other governments. The county's agency fund, the Casey County Inmate Detention Fund is used to account for inmate monies held by the Casey County Detention Center for custodial purposes only. Unlike other funds, the agency fund reports assets and liabilities only; therefore, it has no measurement focus.

D. Deposits and Investments

The government's cash and cash equivalents are considered to be cash on hand, demand deposits, certificates of deposit, and short-term investments with original maturities of three months or less from the date of acquisition.

KRS 66.480 authorizes the county to invest in the following, including but not limited to, obligations of the United States and of its agencies and instrumentalities, obligations and contracts for future delivery or purchase of obligations backed by the full faith and credit of the United States, obligations of any corporation of the United States government, bonds or certificates of indebtedness of this state, and certificates of deposit issued by or other interest-bearing accounts of any bank or savings and loan institution which are insured by the Federal Deposit Insurance Corporation (FDIC) or which are collateralized, to the extent uninsured, by any obligation permitted by KRS 41.240(4).

E. Capital Assets

Capital assets, which include land, land improvements, buildings, furniture and office equipment, building improvements, machinery, equipment, and infrastructure assets (roads and bridges) that have a useful life of more than one reporting period based on the government's capitalization policy, are reported in the applicable governmental or business-type activities of the government-wide financial statements. Such assets are recorded at historical cost or estimated historical cost when purchased or constructed.

CASEY COUNTY
NOTES TO FINANCIAL STATEMENTS
June 30, 2004
(Continued)

Note 1. Summary of Significant Accounting Policies (Continued)

E. Capital Assets (Continued)

Cost of normal maintenance and repairs that do not add to the value of the asset or materially extend the asset's life are not capitalized. Land and Construction In Progress are not depreciated. Interest incurred during construction is not capitalized. Capital assets and infrastructure are depreciated using the straight-line method of depreciation over the estimated useful life of the asset.

	Capitalization Threshold	Useful Life (Years)
Land Improvements	\$ 12,500	10-60
Buildings	\$ 25,000	10-75
Building Improvements	\$ 25,000	10-20
Machinery and Equipment	\$ 2,500	3-25
Vehicles	\$ 2,500	3-5
Infrastructure	\$ 20,000	10-50
Office Equipment	\$ 1,000	3-25

F. Long-term Obligations

In the government-wide financial statements and proprietary funds in the fund financial statements, long term debt and other long-term obligations are reported as liabilities in the applicable financial statements. The principal amount of bonds, notes and financing obligations are reported.

In the fund financial statements, governmental funds recognize bond interest, as well as bond issuance costs when received or when paid, during the current period. The principal amount of the debt and interest are reported as expenditures. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as expenditures. Debt proceeds are reported as other financing sources.

G. Fund Equity

In the fund financial statements, the difference between the assets and liabilities of governmental funds is reported as fund balance. Fund balance is divided into reserved and unreserved components, with unreserved considered available for new spending. Unreserved fund balances may be divided into designated and undesignated portions. Designations represent fiscal court's intended use of the resources and should reflect actual plans approved by the fiscal court.

Governmental funds report reservations of fund balance for amounts that are legally restricted by outside parties for use for a specific purpose, long-term receivables, and encumbrances.

"Reserved for Encumbrances" are purchase orders that will be fulfilled in a subsequent fiscal period. Although the purchase order or contract creates a legal commitment, the fiscal court incurs no liability until performance has occurred on the part of the party with whom the fiscal court has entered into the arrangement. When a government intends to honor outstanding commitments in subsequent periods, such amounts are encumbered. Encumbrances lapse at year-end and are not reflected on the Statement of Net Assets and Statement of Activities; however, encumbrances are reflected on the Balance Sheet - Governmental Funds as part of the fund balance, if applicable.

CASEY COUNTY
NOTES TO FINANCIAL STATEMENTS
June 30, 2004
(Continued)

Note 1. Summary of Significant Accounting Policies (Continued)

H. Budgetary Information

Annual budgets are adopted on a cash basis of accounting and according to the laws of Kentucky as required by the State Local Finance Officer.

The County Judge/Executive is required to submit estimated receipts and proposed expenditures to the fiscal court by May 1 of each year. The budget is prepared by fund, function, and activity and is required to be adopted by the fiscal court by July 1.

The fiscal court may change the original budget by transferring appropriations at the activity level; however, the fiscal court may not increase the total budget without approval by the State Local Finance Officer. Expenditures may not exceed budgeted appropriations at the activity level.

The Casey County Public Properties Corporation Judicial Center Project Fund (blended component unit) and the Kentucky Area Development District (KADD) Financing Trust/Casey County Jail Construction Account are not budgeted by the county treasurer. The Governor's Office for Local Development does not require the fiscal court to report or budget these funds.

I. Related Organizations and Joint Ventures

A related organization is an entity for which a primary government is not financially accountable. It does not impose will or have a financial benefit or burden relationship, even if the primary government appoints a voting majority of the related organization's governing board. Based on these criteria, the East Casey County Water District and the Casey County Emergency Ambulance Service District are considered related organizations of Casey County Fiscal Court.

A legal entity or other organization that results from a contractual agreement and that is owned, operated, or governed by two or more participants as a separate activity subject to joint control, in which the participants retain (a) an ongoing financial interest or (b) an ongoing financial responsibility is a joint venture. Based upon these criteria, the following are considered joint ventures of the Casey County Fiscal Court:

- The Economic Development Authority of Liberty/Casey County (with the City of Liberty)
- Liberty/Casey Airport Board (with the City of Liberty)
- Liberty/Casey County Rescue Squad (with the City of Liberty)

Note 2. Deposits

The County maintains deposits of public funds with depository institutions insured by the Federal Deposit Insurance Corporation (FDIC). According to KRS 66.480(1)(d) and KRS 41.240(4), the depository institution should pledge or provide sufficient collateral which, together with FDIC insurance, equals or exceeds the amount of public funds on deposit at all times. In order to be valid against the FDIC in the event of failure or insolvency of the depository institution, this pledge or provision of collateral should be evidenced by an agreement between the county and the depository institution, signed by both parties, that is (a) in writing, (b) approved by the board of directors of the depository institution or its loan committee, which approval must be reflected in the minutes of the board or committee, and (c) an official record of the depository institution. These requirements were met, and as of June 30, 2004, the County's deposits were fully insured or collateralized at a 100% level with collateral of pledged securities held by the county's agent in the county's name.

CASEY COUNTY
NOTES TO FINANCIAL STATEMENTS
June 30, 2004
(Continued)

Note 3. Capital Assets

Capital asset activity for the year ended June 30, 2004 was as follows:

	Reporting Entity			
	Beginning Balance	Increases	Decreases	Ending Balance
Primary Government:				
<u>Governmental Activities:</u>				
Capital Assets Not Being Depreciated:				
Land and Land Improvements	\$ 1,187,000	\$ 8,000	\$	\$ 1,195,000
Construction In Progress	4,038,240	186,099	(4,038,240)	186,099
Total Capital Assets Not Being Depreciated	5,225,240	194,099	(4,038,240)	1,381,099
Capital Assets, Being Depreciated:				
Buildings	5,400,598	5,399,689		10,800,287
Other Equipment	531,199	39,151		570,350
Vehicles and Equipment	417,650	163,280		580,930
Infrastructure		443,827		443,827
Total Capital Assets Being Depreciated	6,349,447	6,045,947		12,395,394
Less Accumulated Depreciation For:				
Buildings	(272,289)	(219,158)		(491,447)
Other Equipment	(407,867)	(33,856)		(441,723)
Vehicles and Equipment	(330,461)	(50,047)		(380,508)
Infrastructure		(15,883)		(15,883)
Total Accumulated Depreciation	(1,010,617)	(318,944)		(1,329,561)
Total Capital Assets, Being Depreciated, Net	5,338,830	5,727,003		11,065,833
Governmental Activities Capital Assets, Net	\$ 10,564,070	\$ 5,921,102	\$ (4,038,240)	\$ 12,446,932

CASEY COUNTY
NOTES TO FINANCIAL STATEMENTS
June 30, 2004
(Continued)

Note 3. Capital Assets (Continued)

	Reporting Entity			
	Beginning Balance	Increases	Decreases	Ending Balance
Primary Government:				
<u>Business-Type Activities:</u>				
Capital Assets, Being Depreciated:				
Other Equipment	\$	\$ 44,495	\$	\$ 44,495
Vehicles and Equipment		16,950		16,950
Total Capital Assets Being Depreciated		61,445		61,445
Less Accumulated Depreciation For:				
Other Equipment		(8,454)		(8,454)
Vehicles and Equipment		(3,220)		(3,220)
Total Accumulated Depreciation		(11,674)		(11,674)
Total Capital Assets, Being Depreciated, Net		49,771		49,771
Business-Type Activities Capital Assets, Net	\$	\$ 49,771	\$	\$ 49,771

Depreciation expense was charged to functions of the primary government as follows:

<u>Governmental Activities:</u>	
General Government	\$ 137,000
Protection to Persons and Property	100,029
General Health and Sanitation	7,433
Recreation and Culture	5,230
Roads, Including Depreciation of General Infrastructure Assets	69,252
Total Depreciation Expense - Governmental Activities	<u>\$ 318,944</u>
<u>Business-Type Activities</u>	
Jail Canteen	<u>\$ 11,674</u>
Total Depreciation Expense - Business-Type Activities	<u>\$ 11,674</u>

CASEY COUNTY
NOTES TO FINANCIAL STATEMENTS
June 30, 2004
(Continued)

Note 4. Long-term Debt

A. Casey County Public Properties Corporation First Mortgage Revenue Bonds Series 2002

On February 1, 2002 the Casey County Public Properties Corporation issued \$6,735,000 First Mortgage Revenue Bonds, Series 2002 for the purpose of constructing a new Judicial Center facility for lease to the Administrative Office of the Courts. The bonds mature serially through August 1, 2022 and require annual principal payments due on August 1. Semi-annual payments of trustee fees and interest payments at a variable interest rate ranging from 1.75% to 4.75% are due on February 1 and August 1 of each year. Bonds outstanding as of June 30, 2004 were \$6,500,000. Future principal and interest requirements are:

Fiscal Year Ended June 30	Governmental Activities				Net Amount Due From County
	Principal	Interest and Trustee Fees	Total Payment	Less AOC Rental Amount *	
2005	\$ 240,000	\$ 272,323	\$ 512,323	\$ 512,323	\$
2006	240,000	264,963	504,963	504,963	
2007	245,000	257,624	502,624	502,624	
2008	255,000	249,303	504,303	504,303	
2009	265,000	239,871	504,871	504,871	
2010-2014	1,505,000	1,030,468	2,535,468	2,535,468	
2015-2019	1,885,000	671,295	2,556,295	2,556,295	
2020-2023	1,865,000	188,614	2,053,614	2,053,614	
Total	<u>\$ 6,500,000</u>	<u>\$ 3,174,461</u>	<u>\$ 9,674,461</u>	<u>\$ 9,674,461</u>	<u>\$ 0</u>

* The Casey County Public Properties Corporation, Casey County, and the Administrative Office of the Courts (AOC) entered into a lease agreement dated March 1, 2001, and a lease addendum dated February 1, 2002 wherein AOC shall lease from the Corporation the new judicial center at an agreed rental which is anticipated to be adequate to pay 100% of the net debt service on the bonds.

CASEY COUNTY
NOTES TO FINANCIAL STATEMENTS
June 30, 2004
(Continued)

Note 4. Long-term Debt (Continued)

B. Kentucky Area Development Districts (KADD) Financing Trust – Jail Construction Project

On March 29, 2001, the Casey County Fiscal Court entered into a capital lease obligation with KADD Financing Trust for the construction of a new detention facility. Total principal was \$4,890,000, and requires annual principal payments due on November 20th beginning on November 20, 2002 for a period of 20 years. Program fees and interest payments are due semi-annually at a variable interest rate ranging from 4.00% to 5.35% due on November 20 and May 20, beginning on May 20, 2001 for a period of 20 years. Principal outstanding as of June 30, 2004 was \$4,730,000. Future principal and interest requirements including program fees are:

Fiscal Year Ended June 30	Governmental Activities	
	Principal	Interest and Program Fees
2005	\$ 165,000	\$ 232,643
2006	170,000	225,858
2007	175,000	218,698
2008	185,000	211,091
2009	195,000	202,968
2010-2014	1,110,000	875,010
2015-2019	1,355,000	577,264
2020-2023	1,375,000	167,706
Total	<u>\$ 4,730,000</u>	<u>\$ 2,711,238</u>

C. Changes In Long-term Liabilities

Long-term liability activity for the year ended June 30, 2004, was as follows:

	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
Primary Government:					
<u>Governmental Activities:</u>					
Revenue Bonds	\$ 6,735,000	\$	\$ 235,000	\$ 6,500,000	\$ 240,000
Capital Lease Obligation	<u>4,890,000</u>		<u>160,000</u>	<u>4,730,000</u>	<u>165,000</u>
Governmental Activities					
Long-term Liabilities	<u>\$ 11,625,000</u>	<u>\$ 0</u>	<u>\$ 395,000</u>	<u>\$ 11,230,000</u>	<u>\$ 405,000</u>

CASEY COUNTY
NOTES TO FINANCIAL STATEMENTS
June 30, 2004
(Continued)

Note 5. Interest Included in Debt Service

Debt Service on the Statement of Activities includes the following: Long-term interest paid of \$239,143 and administrative fees paid of \$1,645 for the KADD capital lease obligation. Long-term interest paid of \$145,448, capital interest paid of \$128,811, and administrative and trustee fees paid of \$1,379 for the Casey County Public Properties Corporation First Mortgage Revenue Bonds.

Note 6. Related Party Transactions

Based on the County Treasurer's Annual Settlement for the year ended June 30, 2004, the fiscal court paid a total of \$13,975 to Wright's Implement for various road maintenance supplies. The County Judge/Executive's sister and sister-in-law own Wright's Implement. Also, the fiscal court paid a total of \$716 to A & D Supermarket, which is owned by the County Judge/Executive. Although the County Judge/Executive owns the supermarket, it is leased to an individual and the County Judge/Executive does not participate in the day-to-day operations. The county's code of ethics states "no county officer, county employee, or immediate family member of the officer or employee, shall have an interest in a business, or engage in any business, transaction, or activity, which is in substantial conflict with the proper discharge of the public duties of the officer or employee." It further defines "immediate family member" as spouse, child, or person claimed as dependent for tax purposes; therefore, the County Judge/Executive is not in violation of the county's code of ethics. Furthermore, the County Judge/Executive removed himself from fiscal court meetings that involved Wright's Implement transactions. On February 21, 2000, the Casey County Board of Ethics confirmed that there was no violation of the code.

Note 7. Contingent Liability

On June 25, 2002, the Casey County Fiscal Court entered into a four-year equipment lease with Farmer's Bank and Capital Trust Co. for the purchase of a new ambulance for the Casey County Ambulance Service. The original amount of the lease was \$41,889. The Casey County Ambulance Service is required to make the 48 monthly payments of \$960, which began in August 2002. As of June 30, 2004, the Casey County Ambulance Service was in substantial compliance with the lease/purchase agreement.

On May 3, 2004 the Casey County Fiscal Court entered into a three-year equipment lease with Farmer's Bank and Capital Trust Co. for the purchase of a new ambulance for the Casey County Ambulance Service. The original amount of the lease was \$37,814. The Casey County Ambulance Service is required to make the 36 monthly payments of \$1,125 beginning in June 2004. As of June 30, 2004, the Casey County Ambulance Service was in substantial compliance with the agreement.

Note 8. Employee Retirement System

The county has elected to participate in the County Employees Retirement System (CERS), pursuant to KRS 78.530 administered by the Board of Trustees of the Kentucky Retirement Systems. This is a cost sharing, multiple-employer defined benefit pension plan, which covers all eligible full-time employees and provides for retirement, disability, and death benefits to plan members. Benefit contributions and provisions are established by statute. Nonhazardous covered employees are required to contribute 5 percent of their salary to the plan. The county's contribution rate for nonhazardous employees was 7.34 percent. Hazardous covered employees are required to contribute 8 percent of their salary to the plan. The county's contribution rate for hazardous employees was 18.51 percent.

CASEY COUNTY
NOTES TO FINANCIAL STATEMENTS
June 30, 2004
(Continued)

Note 8. Employee Retirement System (Continued)

Benefits fully vest on reaching five years of service for nonhazardous employees. Aspects of benefits for nonhazardous employees include retirement after 27 years of service or age 65. Aspects of benefits for hazardous employees include retirement after 20 years of service or age 55.

Historical trend information showing the CERS' progress in accumulating sufficient assets to pay benefits when due is presented in the Kentucky Retirement System's annual financial report. This report may be obtained by writing the Kentucky Retirements System, 1260 Louisville Road, Frankfort, KY 40601-6124, or by telephone at (502) 564-4646.

Note 9. Insurance

For the fiscal year ended June 30, 2004, Casey County was a member of the Kentucky Association of Counties' All Lines Fund (KALF). KALF is a self-insurance fund and was organized to obtain lower cost coverage for general liability, property damage, public officials' errors and omissions, public liability, and other damages. The basic nature of a self-insurance program is that of a collectively shared risk by its members. If losses incurred for covered claims exceed the resources contributed by the members, the members are responsible for payment of the excess losses.

Note 10. Changes in Accounting Principles

The county has implemented Governmental Accounting Standards Board (GASB) Statements 33, 34 and 37, as they relate to the modified cash basis of accounting as described in Note 1, which has altered the format and content of the basic financial statements. The beginning net asset balance for governmental activities was \$1,780,538 and the beginning fund balance was \$2,841,468 for a decrease of \$1,060,930 due to capital assets previously not reported.

Note 11. Estimated Historical Costs

The County Garage/Recycling Center and the Casey County Senior Citizens buildings' historical costs are estimates. The primary government used the year the buildings were built and used an assessed value of the buildings based upon a report from the Property Valuation Administrator. The assessed value was then deflated back to the year of construction to arrive at estimated historical cost.

Note 12. Subsequent Events

In December 2004, the county was a recipient of a \$1,000,000 federal Community Development Block Grant of which \$975,000 will be passed through to the Economic Development Authority of Liberty/Casey County (subrecipient) for the purpose of purchasing equipment for the implementation of the Liberty Water Tanks Economic Development Project. The remaining \$25,000 of the grant will be used for administration of the grant under an agreement with the Lake Cumberland Area Development District.

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CASEY COUNTY
BUDGETARY COMPARISON SCHEDULES – MAJOR FUNDS
Required Supplementary Information - Modified Cash Basis
For The Year Ended June 30, 2004

CASEY COUNTY
BUDGETARY COMPARISON SCHEDULES – MAJOR FUNDS
Required Supplementary Information - Modified Cash Basis

For The Year Ended June 30, 2004

	GENERAL FUND			
	Budgeted Amounts		Actual	Variance with
	Original	Final	Amounts, (Budgetary Basis)	Final Budget Positive (Negative)
REVENUES				
Taxes	\$ 730,000	\$ 901,428	\$ 895,175	\$ (6,253)
Excess Fees	82,000	99,365	99,365	
Licenses and Permits	20,900	20,900	19,684	(1,216)
Intergovernmental Revenue	154,600	323,851	238,668	(85,183)
Charges for Services	1,100	1,100		(1,100)
Miscellaneous	30,275	104,057	120,573	16,516
Interest	15,000	15,000	1,082	(13,918)
Total Revenues	1,033,875	1,465,701	1,374,547	(91,154)
EXPENDITURES				
General Government	469,635	675,877	656,348	19,529
Protection to Persons and Property	44,610	94,339	76,088	18,251
General Health and Sanitation	144,600	165,712	151,705	14,007
Administration	444,750	599,493	370,319	229,174
Total Expenditures	1,103,595	1,535,421	1,254,460	280,961
Excess (Deficiency) of Revenues Over Expenditures Before Other Financing Sources (Uses)	(69,720)	(69,720)	120,087	189,807
OTHER FINANCING SOURCES (USES)				
Transfers From Other Funds	147,000	147,000	97,244	(49,756)
Transfers To Other Funds	(77,280)	(77,280)	(25,000)	52,280
Total Other Financing Sources (Uses)	69,720	69,720	72,244	2,524
Net Changes in Fund Balance			192,331	192,331
Fund Balance - Beginning			25,181	25,181
Fund Balance - Ending	\$ 0	\$ 0	\$ 217,512	\$ 217,512

CASEY COUNTY
BUDGETARY COMPARISON SCHEDULES – MAJOR FUNDS
Required Supplementary Information - Modified Cash Basis
For The Year Ended June 30, 2004
(Continued)

	ROAD FUND			
	Budgeted Amounts		Actual Amounts, (Budgetary Basis)	Variance with Final Budget Positive (Negative)
	Original	Final		
REVENUES				
Intergovernmental Revenue	\$ 1,076,601	\$ 1,852,005	\$ 1,847,114	\$ (4,891)
Miscellaneous	5,400	5,400	5,043	(357)
Interest	10,000	10,000	1,824	(8,176)
Total Revenues	1,092,001	1,867,405	1,853,981	(13,424)
EXPENDITURES				
Roads	872,100	1,666,924	1,607,642	59,282
Administration	121,500	102,080	93,802	8,278
Total Expenditures	993,600	1,769,004	1,701,444	67,560
Excess (Deficiency) of Revenues Over Expenditures Before Other Financing Sources (Uses)	98,401	98,401	152,537	54,136
OTHER FINANCING SOURCES (USES)				
Transfers To Other Funds	(147,000)	(147,000)	(55,000)	92,000
Total Other Financing Sources (Uses)	(147,000)	(147,000)	(55,000)	92,000
Net Changes in Fund Balance	(48,599)	(48,599)	97,537	146,136
Fund Balance - Beginning	48,599	48,599	96	(48,503)
Fund Balance - Ending	\$ 0	\$ 0	\$ 97,633	\$ 97,633

CASEY COUNTY
BUDGETARY COMPARISON SCHEDULES – MAJOR FUNDS
Required Supplementary Information - Modified Cash Basis
For The Year Ended June 30, 2004
(Continued)

JAIL FUND				
	Budgeted Amounts		Actual	Variance with
	Original	Final	Amounts, (Budgetary Basis)	Final Budget Positive (Negative)
REVENUES				
Intergovernmental Revenue	\$ 1,135,504	\$ 1,227,297	\$ 1,272,497	\$ 45,200
Charges for Services	49,500	49,930	444	(49,486)
Miscellaneous	45,001	59,459	43,376	(16,083)
Interest		257	290	33
Total Revenues	1,230,005	1,336,943	1,316,607	(20,336)
EXPENDITURES				
Protection to Persons and Property	839,905	1,034,751	1,028,542	6,209
Debt Service	399,143	399,143	399,142	1
Administration	137,400	173,725	136,623	37,102
Total Expenditures	1,376,448	1,607,619	1,564,307	43,312
Excess (Deficiency) of Revenues Over Expenditures Before Other Financing Sources (Uses)	(146,443)	(270,676)	(247,700)	22,976
OTHER FINANCING SOURCES (USES)				
Transfers From Other Funds			56,744	56,744
Transfers To Other Funds			(17,244)	(17,244)
Total Other Financing Sources (Uses)			39,500	39,500
Net Changes in Fund Balance	(146,443)	(270,676)	(208,200)	62,476
Fund Balance - Beginning	146,443	270,676	271,050	374
Fund Balance - Ending	\$ 0	\$ 0	\$ 62,850	\$ 62,850

CASEY COUNTY
BUDGETARY COMPARISON SCHEDULES – MAJOR FUNDS
Required Supplementary Information - Modified Cash Basis
For The Year Ended June 30, 2004
(Continued)

JUVENILE JUSTICE FUND				
	Budgeted Amounts		Actual Amounts, (Budgetary Basis)	Variance with Final Budget Positive (Negative)
	Original	Final		
REVENUES				
Interest	\$ 5,500	\$ 5,500	\$ 1,404	\$ (4,096)
Total Revenues	5,500	5,500	1,404	(4,096)
EXPENDITURES				
Protection to Persons and Property	403,000	403,000	78,309	324,691
Total Expenditures	403,000	403,000	78,309	324,691
Excess (Deficiency) of Revenues Over Expenditures	(397,500)	(397,500)	(76,905)	320,595
Net Changes in Fund Balances	(397,500)	(397,500)	(76,905)	320,595
Fund Balances - Beginning	397,500	397,500	301,653	(95,847)
Fund Balances - Ending	\$ 0	\$ 0	\$ 224,748	\$ 224,748

CASEY COUNTY
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION

June 30, 2004

Budgetary Information

Annual budgets are adopted on a cash basis of accounting and according to the laws of Kentucky as required by the State Local Finance Officer. Formal budgets are not adopted for the Casey County Public Properties Corporation Judicial Center Project Fund and the Kentucky Area Development Districts (KADD) Financing Trust/Casey County Jail Construction Account.

The State Local Finance Officer does not require the Casey County Public Properties Corporation Judicial Center Project Fund and the Kentucky Area Development Districts (KADD) Financing Trust/Casey County Jail Construction Account to be budgeted. Bond indentures and other relevant contractual provisions require specific annual payments to these funds and these transfers are budgeted in the governmental funds.

The State Local Finance Officer does not require the Jail Canteen Fund to be budgeted because the fiscal court does not approve the expenses made from these funds.

The County Judge/Executive is required to submit estimated receipts and proposed expenditures to the fiscal court by May 1 of each year. The budget is prepared by fund, function, and activity and is required to be adopted by the fiscal court by July 1.

The fiscal court may change the original budget by transferring appropriations at the activity level; however, the fiscal court may not increase the total budget without approval by the State Local Finance Officer. Expenditures may not exceed budgeted appropriations at the activity level.

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**CASEY COUNTY
COMBINING BALANCE SHEET -
NON-MAJOR GOVERNMENTAL FUNDS - MODIFIED CASH BASIS
Other Supplementary Information**

June 30, 2004

CASEY COUNTY
COMBINING BALANCE SHEET -
NON-MAJOR GOVERNMENTAL FUNDS - MODIFIED CASH BASIS
Other Supplementary Information

June 30, 2004

	LGEA Fund	E-911 Fund	Special Fund	Total Non-Major Governmental Funds
ASSETS				
Cash and Cash Equivalents	\$ 19,857	\$ 3,250	\$ 51,469	\$ 74,576
Total Assets	<u>\$ 19,857</u>	<u>\$ 3,250</u>	<u>\$ 51,469</u>	<u>\$ 74,576</u>
FUND BALANCES				
Unreserved:				
Special Revenue Funds	\$ 19,857	\$ 3,250	\$ 51,469	\$ 74,576
Total Fund Balances	<u>\$ 19,857</u>	<u>\$ 3,250</u>	<u>\$ 51,469</u>	<u>\$ 74,576</u>

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CASEY COUNTY
COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCES - NON-MAJOR GOVERNMENTAL FUNDS - MODIFIED CASH BASIS
Other Supplementary Information
For The Year Ended June 30, 2004

CASEY COUNTY
COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCES - NON-MAJOR GOVERNMENTAL FUNDS - MODIFIED CASH BASIS
Other Supplementary Information

For The Year Ended June 30, 2004

	LGEA Fund	E-911 Fund	Special Fund	Total Non-Major Governmental Funds
REVENUES				
Taxes	\$	\$ 133,989	\$	\$ 133,989
Intergovernmental	15,440	12,003		27,443
Miscellaneous		12		12
Interest	128	30	285	443
Total Revenues	<u>15,568</u>	<u>146,034</u>	<u>285</u>	<u>161,887</u>
EXPENDITURES				
General Government	5,888			5,888
Protection to Persons and Property	7,500	160,996		168,496
Administration		22,345		22,345
Total Expenditures	<u>13,388</u>	<u>183,341</u>		<u>196,729</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>2,180</u>	<u>(37,307)</u>	<u>285</u>	<u>(34,842)</u>
OTHER FINANCING SOURCES				
Transfers To Other Funds	(7,500)		(25,000)	(32,500)
Transfers From Other Funds		32,500		32,500
Total Other Financing Sources (Uses)	<u>(7,500)</u>	<u>32,500</u>	<u>(25,000)</u>	
Net Change in Fund Balances	(5,320)	(4,807)	(24,715)	(34,842)
Fund Balances - Beginning	25,177	8,057	76,184	109,418
Fund Balances - Ending	<u>\$ 19,857</u>	<u>\$ 3,250</u>	<u>\$ 51,469</u>	<u>\$ 74,576</u>

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COMMENT AND RECOMMENDATION

**CASEY COUNTY
COMMENT AND RECOMMENDATION
Fiscal Year Ended June 30, 2004**

Accurate Accounting Records Should Be Maintained For The Jail Canteen Fund

During our review and testing of the Jail Canteen and Inmate Account we noted the following deficiencies:

- Daily check out sheets are not prepared and maintained
- Daily deposits are not being made
- Monthly bank reconciliations are not prepared
- No disbursements ledger was prepared
- No receipts ledger was prepared. An inmate deposit report was prepared but the total amount was more than what was deposited into the Jail Canteen bank account, therefore was unreliable.
- Adequate documentation was not maintained for all disbursements. Of the fifteen disbursements tested, one did not have supporting documentation; therefore, we were unable to determine allowability.
- The Jailer did not prepare and submit an annual report to the County Treasurer on the Jail Canteen account.

KRS 441.135 states, “the jailer may maintain a canteen fund for the benefit of the prisoners lodged in the jail and may assign such jail employees and prisoners to operate the canteen as are necessary for efficient operation. All profits from the canteen shall be used for the benefit or recreation of the prisoners. The jailer shall keep books of accounts of all receipts and disbursements from the canteen and shall annually report to the county treasurer on the canteen account.”

In addition, the Instructional Guide For County Budget Preparation And State Local Finance Officer Policy Manual lists minimum accounting and reporting standards as prescribed by the state local finance officer pursuant to KRS 68.210 and states that these standards are to be utilized by county jailers for jail canteen funds. These standards require that daily checkout sheets be prepared and daily deposits be made. They also state that a maximum of fifty dollars shall be used for start-up money for the next business day.

We recommend that some form of Daily checkout sheets should be maintained for each bank account and that daily deposits be made. The daily checkouts for each account should show total receipts by category and the amount and day of the deposit. A detailed receipts ledger should also be maintained for each bank account. All disbursements from both bank accounts should be paid with a check. A detailed disbursement ledger should be maintained for both bank accounts. A monthly bank reconciliation should be prepared for each bank account.

We also recommend that the Jailer submit an annual Jail Canteen report to the County Treasurer after the close of the fiscal year.

County Judge/Executive Ronald D. Wright's Response: Jailer Responsibility

Jailer Tommy Miller's Response: These findings were done in 2004. All have been corrected, except turning in yearly report to Treasurer, which will be done from now on.

PRIOR YEAR FINDING FINANCIAL STATEMENT AUDIT

In the prior year we reported that accurate accounting records should be maintained for the Jail Canteen Fund. The finding was not corrected and is repeated above.

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**REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND
ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL
STATEMENTS PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS**



CRIT LUALLEN
AUDITOR OF PUBLIC ACCOUNTS

The Honorable Ronald D. Wright, Casey County Judge/Executive
Members of the Casey County Fiscal Court

**Report On Internal Control Over Financial Reporting And
On Compliance And Other Matters Based On An Audit Of Financial
Statements Performed In Accordance With Government Auditing Standards**

We have audited the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of Casey County, Kentucky, as of and for the year ended June 30, 2004, which collectively comprise the County's basic financial statements, as listed in the table of contents and have issued our report thereon dated March 6, 2006. Casey County presents its financial statements on the modified cash basis of accounting, which is a comprehensive basis of accounting other than generally accepted accounting principles. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered Casey County's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinions on the financial statements and not to provide an opinion on the internal control over financial reporting. However, we noted a certain matter involving the internal control over financial reporting and its operation that we consider to be a reportable condition. Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of the internal control over financial reporting that, in our judgment, could adversely affect Casey County's ability to record, process, summarize, and report financial data consistent with the assertions of management in the financial statements. The reportable condition is described in the accompanying comment and recommendation.

- Accurate Accounting Records Should Be Maintained For The Jail Canteen Fund

A material weakness is a reportable condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements caused by error or fraud in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control that might be reportable conditions and, accordingly, would not necessarily disclose all reportable conditions that are also considered to be material weaknesses. However, we consider the reportable condition noted on the previous page to be a material weakness.



Report On Internal Control Over Financial Reporting
And On Compliance And Other Matters Based On An Audit Of Financial
Statements Performed In Accordance With Government Auditing Standards
(Continued)

Compliance And Other Matters

As part of obtaining reasonable assurance about whether Casey County's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed an instance of noncompliance or other matters that is required to be reported under Government Auditing Standards and which is described in the accompanying comment and recommendation.

- Accurate Accounting Records Should Be Maintained For The Jail Canteen Fund

This report is intended solely for the information and use of management, and the governor's office for local development, and is not intended to be and should not be used by anyone other than these specified parties.

Respectfully submitted,

A handwritten signature in black ink, appearing to read 'Crit Luallen', written in a cursive style.

Crit Luallen
Auditor of Public Accounts

Audit fieldwork completed -
March 6, 2006

**CERTIFICATION OF COMPLIANCE -
LOCAL GOVERNMENT ECONOMIC ASSISTANCE PROGRAM**

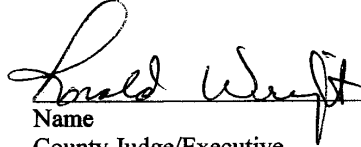
CASEY COUNTY FISCAL COURT

**For The Fiscal Year Ended
June 30, 2004**


CERTIFICATION OF COMPLIANCE
LOCAL GOVERNMENT ECONOMIC ASSISTANCE PROGRAM
CASEY COUNTY FISCAL COURT

For The Fiscal Year Ended June 30, 2004

The Casey County Fiscal Court hereby certifies that assistance received from the Local Government Economic Assistance Program was expended for the purpose intended as dictated by the applicable Kentucky Revised Statutes.



Name
County Judge/Executive



Name
County Treasurer